

The complaint

Ms A complains about the service she received from Nationwide Building Society ("Nationwide") after she asked for support due to the impact of Covid-19. She says that Nationwide declined her request for a payment holiday and placed her account in arrears, which caused her distress and inconvenience as well as negatively impacting her credit file.

What happened

In January 2020, Ms A entered into a loan agreement with Nationwide. Her circumstances changed as a result of the Covid-19 pandemic and this affected her ability to make the loan repayments. Ms A called Nationwide on or around 24 March 2020 to discuss the situation. At that point, her account was up to date. Nationwide wasn't offering payment holidays at that stage. But it put a nil payment plan on her account for the following month, meaning that no payment would be due for April 2020. Nationwide says it advised Ms A to get in touch again at the end of April or beginning of May to discuss her options and avoid any negative impact on her credit file.

Shortly after this call, the Financial Conduct Authority (FCA) released guidance which said that firms had to offer payment holidays for customers who were negatively impacted by the pandemic. It said that customers' credit files shouldn't be affected by taking a payment holiday.

Ms A's payment date was the 7th of the month. She says she contacted Nationwide at the beginning of May and was told to apply online for a payment holiday. She says she did this before the May payment was due. Whilst waiting for a response to her request, she received a Notice of Sums in Arrears from Nationwide, demanding payment. This was sent to her on 8 May 2020. Ms A also found out that Nationwide was reporting arrears on the account to the Credit Reference Agencies.

She called Nationwide and was told that she wasn't eligible for the payment holiday as her account was in arrears. Nationwide doesn't have a copy of the letter declining Ms A's payment holiday request, but it says the letter appears to have been sent on 16 May.

Ms A raised a complaint with Nationwide, following which it agreed to set up a three-month payment holiday to start in July 2020. But it said it wouldn't stop reporting arrears accrued before that to the Credit Reference Agencies. In September 2020, the payment holiday was extended for another three months. Nationwide says it made an exception by doing this, as it wouldn't usually have set up a payment holiday where a customer's account was in arrears. But Ms A wasn't happy about the negative entries on her credit file. She also queried the loan balance and said it didn't take account of overpayments she'd made.

Following further contact between the parties, Nationwide agreed to amend Ms A's credit file to remove the adverse entries from July to December 2020, covering the period when a payment holiday was in place. It didn't agree to remove any adverse entries before that, as it said that payments had been missed before the payment holiday was in place. It said the outstanding balance was correct but suggested rewriting the loan or Ms A making a payment to clear the arrears, so that no further negative entries would be made on her credit file.

Ms A remained unhappy with the situation and asked this service to look into it. I issued a provisional decision on 13 January 2022 and both parties have responded. Nationwide said it had nothing further to add. Ms A provided further comments. She says that, from early 2021, the information held by Nationwide about her loan was incorrect. She says that, rather than admit this, Nationwide implied that she was deluded, causing her serious distress. Ms A provided further documents for me to consider.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

I've looked at everything again and considered Ms A's comments and the information she has provided. I'm sorry to disappoint her, but I haven't seen anything which changes my mind about this complaint. So I'm going to uphold it in the way I recommended in my provisional decision. My reasons are set out below.

It's not in dispute that the reason Ms A contacted Nationwide in March 2020 was because Covid-19 had had a direct impact on her income. I understand why Nationwide didn't put a payment holiday in place at the time of this first phone call. But I think it ought to have granted a payment holiday when she applied in May as it was clear that she'd been negatively affected by the pandemic.

I don't think it was reasonable that Nationwide treated the account as being in arrears from April 2020. That's because it had agreed a nil payment plan for that month, following proactive contact from Ms A in March 2020. I realise that the official guidance on how to treat customers wasn't yet in place at the time of her call. But I don't think that should have put Ms A at a disadvantage.

I think the FCA guidance ought to be applied retrospectively here. Ms A called Nationwide when lockdown was announced. She did so because of the impact of Covid-19 on her income. Her account was up-to-date at that point and there is no sign she was experiencing financial difficulties before the pandemic. It's clear that she was affected by the pandemic and was trying to manage her account responsibly. So I don't think it's fair for her credit file to be impacted simply because she requested help before the official guidance was announced.

I can appreciate how distressing it was for Ms A to have her request for a payment holiday declined and to receive arrears letters. I note that a further Notice of Sums in Arrears was sent to her in October 2020, while the payment holiday was in place.

In order to put things right, I think Nationwide should remove any adverse information reported to the Credit Reference Agencies from the day Ms A first called Nationwide, which I understand to be on or around 24 March 2020. I also think it should pay her compensation for the unnecessary distress and inconvenience caused. Ms A has explained how the situation affected her and I think compensation of £300 would be appropriate here.

I understand that Ms A has concerns about the accuracy of her account balance. There have been numerous communications between the parties about this. I'm aware that a statement was sent to Ms A which didn't accurately reflect the transactions on her account. Nationwide says it was a statement showing the loan repayment schedule from start to finish which assumed that all payments had been made on time and in full. It didn't reflect what had actually happened.

I think it was unhelpful that this was sent to Ms A and I can understand why she felt that Nationwide wasn't providing accurate information about her account. But I haven't seen any evidence of incorrect information being provided to Ms A deliberately or maliciously. I think Nationwide was trying to send her the information she had requested, but there was confusion about what she wanted to know.

The loan balance was affected by the missed payment and payment holiday, as I explained in my provisional decision. Interest continued to accrue on the loan during the payment holiday. So the amount outstanding on the loan at the end of the payment holiday was higher than it would have been if no payment holiday had been taken, for two reasons. Firstly, it includes the missed repayments. And, secondly, it includes the interest charged during the payment holiday, which would have been more than usual because the balance wasn't being reduced during that time. This means that, to pay off the loan within the existing term, the monthly payments need to increase.

Alternative ways of dealing with the increased balance are for the term of the loan to be extended (so that the monthly payments don't have to increase) or for Ms A to make a one-off payment to bring the account up to date, so that the monthly payments can stay at the original level and the loan still be paid off at the end of the original term.

I note that Nationwide invited Ms A to make a payment to clear the arrears in full or, as an alternative, offered to re-write the loan. But I don't think it explained the situation about the balance to Ms A clearly and that has undoubtedly added to Ms A's distress. I think Nationwide could have clarified the position much earlier and I've taken this into account when deciding on the amount of compensation which needs to be paid here. But I don't think Nationwide deliberately provided incorrect information to Ms A or tried to cover this up. And I haven't seen anything to suggest that the information shown on Ms A's regular statements is incorrect. So I'm not going to ask Nationwide to do any more about this.

The parties should now work together to agree a way forward, for example by re-writing the loan or agreeing a payment plan.

My final decision

For the reasons above, I uphold this complaint. Nationwide Building Society should:

- remove any adverse information reported to the Credit Reference Agencies from the day of Ms A's first call to Nationwide; and
- pay Ms A compensation of £300.

Under the rules of the Financial Ombudsman Service, I'm required to ask Ms A to accept or reject my decision before 1 April 2022.

Katy Kidd
Ombudsman